CFO/FFMIA

System Compliance &

USD(C)'s "Y2K"-Like

System Compliance Process

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Federal Financial Management Requirements (FFMR)

Federal Financial Management Improvement Act of 1996 - Implement and maintain financial management systems that comply with Federal financial management systems requirements and the US Government General Ledger

Chief Financial Officers Act of 1990 - Develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls.

Federal Management Financial Integrity Act of 1982 - internal accounting and administrative controls are established in accordance with standards prescribed by the Comptroller General.

Office of Management and Budget Circulars A-127 - Requires a single unified set of financial systems and the financial portions of mixed systems.

USD(C)'s Compliance Process

- Senior Level Oversight

- Five Phases each with Exit Criteria

- DODIG Validation

- Increased Need for Documentation

Oversight

External DON

- Senior Financial Management Oversight Council
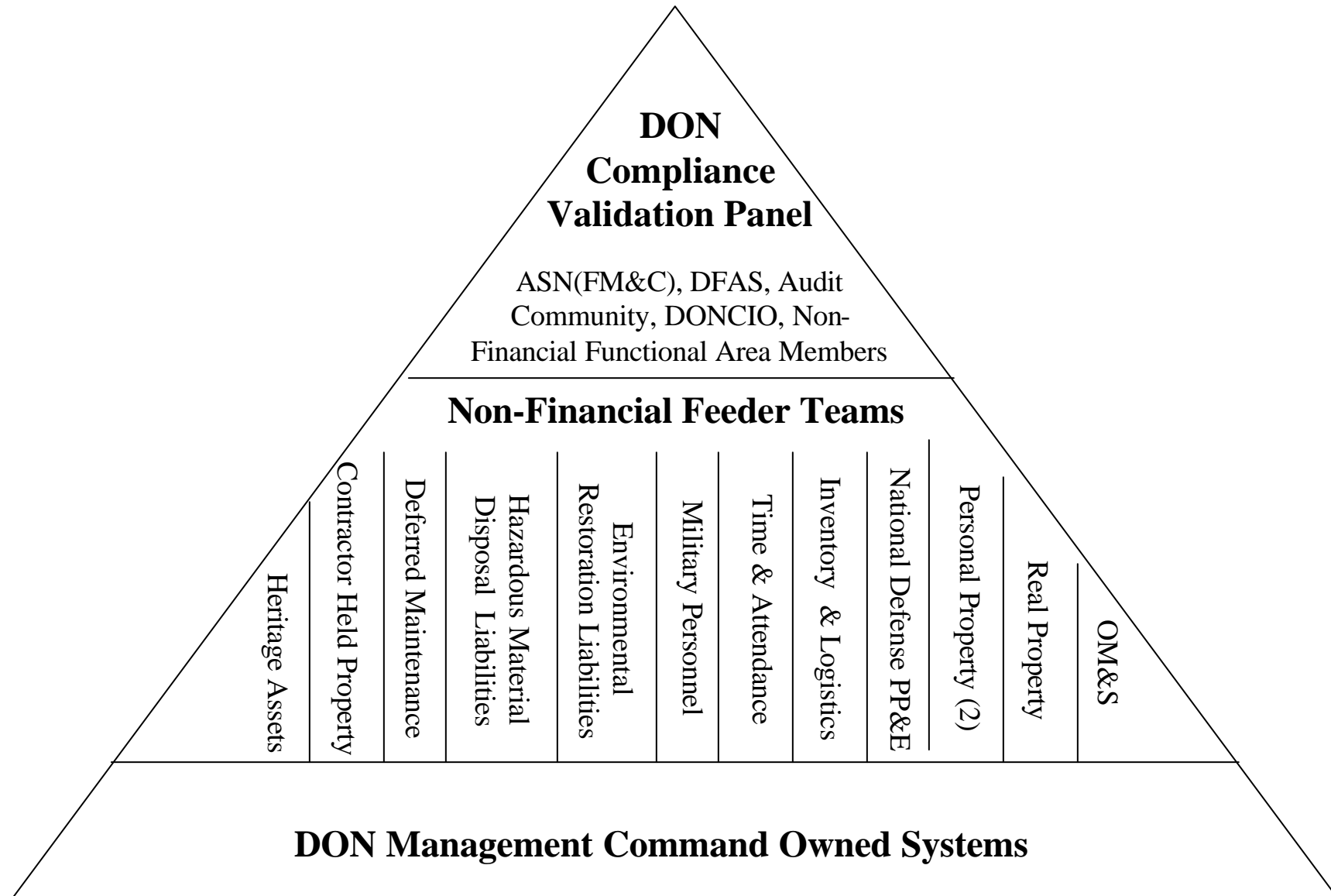- Systems Compliance Working Group

Internal DON

- DONOMIT
  - Non-Financial Feeder Teams
- ASN(FM&C)
  - Command Reps
- NAVAUDSVC
- DONCIO

SFMOC

- Under Secretary of Defense (Comptroller) (Chair)

- Principal Deputy Under Secretary of Defense (Comptroller)

- Under Secretary of Defense (Acquisition, Technology and Logistics)

- Under Secretary of Defense (Personnel and Readiness)

- Assistant Secretary of Defense Command, Control, Communications, and Intelligence

- Deputy Chief Financial Officer

- Director, Defense Finance and Accounting Service

- Director, Defense Logistics Agency

- **Assistant Secretaries of the Military Departments (Financial Management & Comptroller)**

- Assistant Secretary of the Army (Acquisition, Logistics and Technology)

- **Assistant Secretary of the Navy (Research, Development, and Acquisition)**

- Assistant Secretary of the Air Force (Acquisition)

- Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict

- Deputy Chief of Staff for Installations and Logistics (Air Force)

- Inspector General, Department of Defense

DON Non-Financial Feeder Strategy

DON Compliance Validation Panel

ASN(FM&C), DFAS, Audit Community, DONCIO, Non-Financial Functional Area Members

Non-Financial Feeder Teams

- Heritage Assets
- Contractor Held Property
- Deferred Maintenance
- Hazardous Material Disposal Liabilities
- Environmental Restoration Liabilities
- Military Personnel
- Time & Attendance
- Inventory & Logistics
- National Defense PP&E
- Personal Property (2)
- Real Property
- OM&S

DON Management Command Owned Systems

USD(C)'s "Y2K"-Like Compliance Process

- Awareness

- Evaluation

- Renovation

- Validation

- Compliance

System Awareness

- System Identification
  - Systems
  - POCs
  - Interfaces
- Data Mapping to Financial Statements
- Initial Awareness of Deficiencies
  - Audits
  - Costs to Evaluate

System Awareness Data Call

Type	Sources
• Finance	- FY 2000 FMIP submissions
• Accounting	- Identified as Interfaces
• Property	- DONCIO Y2K list
• Inventory	- NAVAUDSVC audits
• Logistics	- ERP Legacy list
• Personnel	- Other Briefings/sources
• Environmental	
• Management Information	

Systems Status/Actions

Active-On Going - A financial or feeder system that is being kept. **Action:** The system must be evaluated, renovated, tested, and validated either separately, or as part of a larger group of systems. Actions will be tracked throughout process.

Legacy System - A financial or feeder system that is being fully replaced by 30 September 2003. **Action:** Identify system, interfaces, replacement system, and dates. Replacement will be tracked.

Terminated System - A system that has been fully turned-off. **Action:** Identify as terminated with dates and replacement system. Will be removed from DONCIO systems list.

Not Applicable - A system that does not in any way contribute to financial, cost, or property computations. **Action:** Explain in writing why system should not be included. NAVAUDSVC will verify.

Naval Audit Service Findings

The DON:

• Had no assurance that systems were consistently evaluated and reported in the FMIP and FMFIA reports.

• Had not developed and maintained a complete inventory of financial management feeder systems

• Did not have a standard suite of financial management feeder systems

Data Mapping

Objective: To map the flow of financial data from the original point of entry to the individual lines on the financial statements.

- By system(s) (both financial and feeder)

- By dollars

- By command/activity

Outcome:

- Identify which systems to focus on

- Identify which activities to focus on

Critical Lines/Systems

Critical Line: Line on Financial Statement that is greater than or equal to 3% of total entity assets.

Critical System: Lessor of:

- 10% of a critical line on the Financial Statements

- $500M of business/assets (DON Benchmark)

» Critical Systems will be reported to SFMOC and reported as part of Financial Management Improvement Plan

» Non-critical, active/ongoing systems still need to be compliant as part of overall end-to-end testing

Other Awareness Requirements

- Identify overall compliance problems

  does not use USSGL

  internal controls

  lack of electronic interface

- Agree to correct the compliance problems

- Develop a strategic compliance strategy

  correct deficiencies

  eliminate/consolidate system

  replace system

  develop/buy new system

- Provide an estimate of resources requirements to evaluate

Evaluation Phase

- System Evaluations

- Detailed Action Plans

- Budgetary Requirements

System Evaluation

- Review DFAS's "Blue Book" by chapter and identify compliance requirements

- Determine system deficiencies using compliance factors

*** Advisable to hire CPA firm to conduct evaluation

*** Proper documentation is essential

Corrective Action Plans

• Develop a detailed corrective action plan to correct each applicable deficiency

  Resource requirements ($ and FTEs)

  Appropriate Milestones

  Responsible Officials

• Develop corresponding funding plan including funded and unfunded requirements and dates required

• Establish Memorandum of Agreement between between system owners, DFAS, and other responsible officials

*** Plans must be approved by the SFMOC for critical systems

Renovation

- Corrective Action

- System Testing

    Individual

    End-to-end tests

- Command/Service Certification

Validation

Requirement: DODIG will review and validate all awareness, evaluation, renovation, and testing documentation to ensure that the system complies with applicable requirements.

DODIG Findings: "The DoD Components did not conduct proper or complete evaluations, … DoD did not maintain adequate documentation to support compliance evaluations."

Compliance

Ensure that required documentation is available and maintained for those systems, business areas, and reporting entities that have been determined to be compliant by the DODIG.

Conduct periodic system reviews

Incorporate changes in laws, regulations, and standards